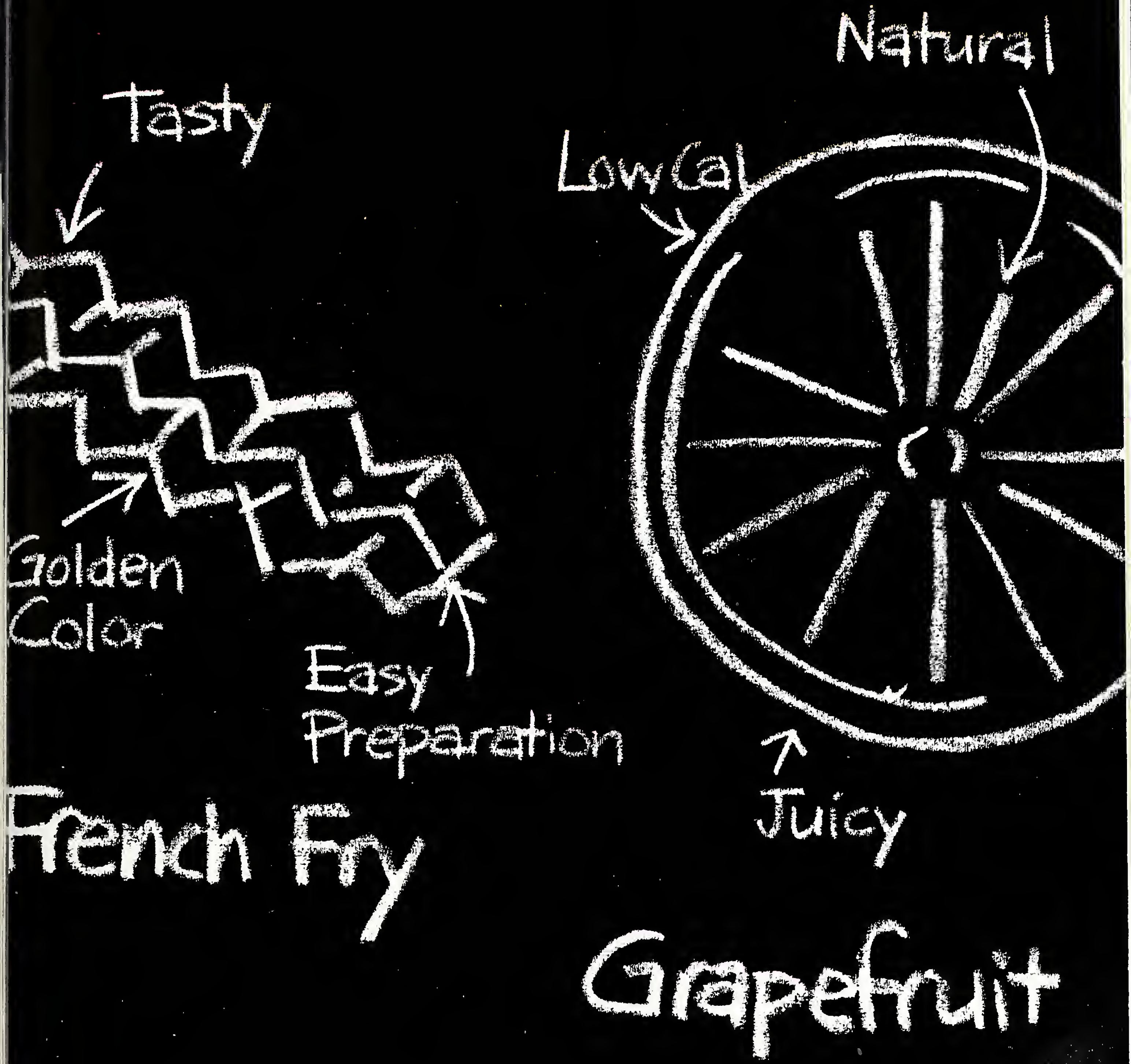
United States
Department of Agriculture

Foreign Agricultural Service

July 1987

Foreign Agriculture

Analyzing Successful Export Products



Marketing News

U.S. Wheat Sponsors Training in Venezuela

To demonstrate commitment to its export markets, **U.S. Wheat Associates** recently sponsored a five-day course for flour millers in Caracas, Venezuela. Practical, hands-on programs such as this one are aimed at teaching wheat customers to be more efficient and profitable, thus ensuring repeat business. Participants received training in wheat production methods such as cleaning and conditioning, mill analysis and control, yield calculations and mill safety.

The Venezuelan market has been marked by keen competition since 1984. The U.S. Wheat-sponsored course was designed to assure customers of U.S. dedication to this market. According to one Venezuelan miller, "The information, technical support and service offered by the United States after the sale demonstrates U.S. commitment. It is reassuring for us to have people we know on hand if we have any questions."

Report Available on Japanese Wood Market

"Japan: The Market for Lumber and Plywood," a 150-page report, has been published by the **Western Wood Product Association (WWPA)** and the **American Plywood Association (APA).** The report covers the distribution system of lumber and plywood in Japan, market trends, forest resources and building standards law. Copies of this report can be obtained by contracting Tom Fast at APA, P.O. Box 1170, 7011 S 19th St., Takoma, WA 98411 or Rich Geary at WWPA, 1500 Yeon Bldg. Portland, OR 97204.

Grocers To Promote High-Value Products in Europe

In an effort to promote and develop U.S. exports, the **National-American Wholesale Grocers' Association (NAWGA)** will lead a group of wholesale grocery and food service distributors to Europe October 8-18, 1987. The group will attend the ANUGA food show in Cologne, West Germany. ANUGA, one of the world's largest trade shows, brings together thousands of potential buyers and sellers. Association president John R. Block sees it as a "real opportunity to make contacts." In addition to the food show, Association members will tour food distribution warehouses and retail stores in West Germany, the Netherlands and the United Kingdom.

"We see this venture as a solid indication that U.S. food wholesalers will be able to develop export opportunities," said Block. "Wholesale grocers have scarely scratched the surface of building those foreign markets," which were valued at $10 billion last year.

A new emphasis at the U.S. Department of Agriculture is the push for high-value food exports, a move which Block feels will help the food distribution industry. "Our members need to become aware of these opportunities," he said. "The Association will be in a position to put our members in touch with the Agriculture and Commerce Departments to help wholesalers with the how-to's, but the best experience is a direct one. That is why we are sponsoring the ANUGA trip."

For more information, contact Vince Phillips, NAWGA, 201 Park Washington Court, Falls Church, VA 22046. Tel. (703) 532-9400.

1987 Foodex Show Is Success in Japan

A record 131,800 visitors, three-fourths of whom were directly related to the food industry, attended the 1987 Foodex show, held March 10-14 in Tokyo, Japan. U.S. exhibitors reported a significant increase in average on-site sales per booth over previous years' shows, with average sales increasing from $51,000 last year to $68,700 this year. Particularly strong sales were reported for raisins, pecans, poultry products and beef. The increase in sales was due primarily to the strength of the yen. Total on-site sales were $2 million, with projected 12-month sales estimated at $148 million.

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Features

Departments

Europe's Food Processors Are Raisin' Eyebrows Over U.S. Raisins

It's hard to believe, but California raisins differ from other countries' raisins in 150 ways. Documenting these differences was no trivial pursuit for the California raisin industry. Instead, it became part of a marketing campaign aimed at convincing food technologists in foreign countries that California raisins are superior to any other raisin on the market.

Thomas Payne, who coordinates the program for the California Raisin Advisory Board, said the goal of the program is to get foreign food manufacturers to use California raisins instead of raisins from other countries.

That's not an easy job because the amount of food consumed each year stays about the same. To get your product used as an ingredient, you have to replace something else, Payne said.

The California raisin industry faces another big dilemma in its overseas marketing—its product is more expensive than raisins from other origins, particularly because California raisins have to be shipped farther than raisins from Greece or Turkey.

In addition, the European Community has a subsidy and minimum import price system for Greek raisins. This made the U.S. raisin industry eligible for a $6.3-million Targeted Export Assistance (TEA) program in fiscal 1986. This and another $9.8-million this year are helping to finance Payne's effort. The industry also receives $4.25 million under another government law.

Developing a Marketing Strategy

According to Payne, European food manufacturers, like business operators everywhere, are price conscious. So to gain access to this multi-billion-dollar-a-year market, Payne said, "our objective was to get the Europeans to evaluate and accept our product on its technical merit."

To begin, Payne and his associates targeted the 30 largest food processors in Europe, but with a twist. "We decided to bypass the usual chain of buying agents and distributors, and instead targeted the firms' brain trusts—the research and development scientists," Payne said.

However with this scientific audience, Payne reasoned, "you have to go beyond the rhetoric—you can't just say that

California raisins are the best. You have to prove it."

To accomplish its objective, the California Raisin Board put together a three-step program. Step one was to document the benefits of California raisins in a technical sense. Step two is to demonstrate the differences and step three is to communicate those differences.

Step One Is Key to a Successful Campaign

Documenting the benefits of a product is obviously the key to a successful campaign, Payne said. Since the raisin industry was pursuing the European market, it used a European laboratory to perform the analyses, thinking that the manufacturers would find the results more credible.

The laboratory documented over 150 differences, mostly advantages. Payne said the California group was looking for chemical, physical or aesthetic qualities to use as selling points to make the European processors forget about the price difference.

For example, a key difference is that California raisins are naturally sun dried. In other parts of the world, raisins are mechanically harvested and processed. The grapes are dipped in oil and then the skin is broken to make them dry faster.

Payne said this finding provided an excellent selling point because every part of the world, especially Europe, is looking to displace unnatural ingredients.

Another key difference is that California raisins have significantly higher skin strength as a result of natural processing. This translates into another selling point for the U.S. industry.

U.S. Raisins Have Plumping Power

Stronger skin means that as an ingredient, such as in raisin bread, California raisins plump while other countries' raisins disintegrate. So processors can actually use fewer California raisins in a product and get the same or better results than by using raisins from other origins.

California raisins also have a microbiological edge. The laboratory tests found that California raisins are the cleanest. This quality provides another strong selling point, particularly with European dairy manufacturers.

These and other differences were included in a research document available in English, French, German, Spanish and Italian. It provides the basis for the other steps in the marketing campaign.

Convincing the Nonbelievers

The second step, demonstrating the differences, is an ongoing job. Food scientists are not a typical audience, Payne said, because they want proof of everything.

To help get around this obstacle, the U.S. industry went back to the European scientific community. It hired a highly respected European food technologist to represent the industry to other European food technologists.

"This technologist is our vehicle for providing our data to European research and development people," Payne said. He presents technical seminars in European laboratories. Because of his stature, Payne said, and the kind of information available from the U.S. industry, this technologist has ready access to audiences.

"With the help of the FAS TEA program, we've held 30 seminars in Europe so far this year," Payne said. "We've become the world's technical information source for raisins and new product development."

Communicating the Message

The third step of the marketing campaign, communicating the differences, also is ongoing. Payne and his associates have written articles about California raisins for technical publications all over the world. "Our goal is that every time a food manufacturer opens a magazine, there will be an article on California raisins," Payne said.

The message the articles carry is that through new processes and procedures, California raisins can displace unnatural additives and preservatives, improve product quality and sometimes lower overall ingredient costs.

It is a message that European food technologists are eager to hear, according to Payne. "Research and development people at even the most discriminating companies want to enlarge their scope of ingredient knowledge," Payne said, "and we can provide the information."

New Campaign Is Bearing Fruit

As a result of the demonstration phase of the project, California raisins have been introduced into the laboratories of some of Europe's leading manufacturing companies. Kellogg's of Scandinavia has switched to California raisins. A major Danish company recently began marketing a raisin product and expects to produce 400,000 units each year.

In addition, raisin sales to key European markets are up. Shipments to West Germany, Belgium, the United Kingdom, Denmark, the Netherlands, Norway, Sweden and Finland were up nearly 46 percent during 1986, totaling 44,353 short tons compared to 30,390 tons in 1985.

Using the Approach in Other Areas

This three-step campaign is proving so successful for U.S. raisins in Europe that it is being tested for other markets and commodities. The documentation phase is just underway to see if the same marketing strategy will work for U.S. raisins in Pacific Rim markets.

In addition, the U.S. walnut industry is testing the approach with its product in Europe. The major U.S. competitors for walnuts are India and China, Payne said. U.S. walnuts face the same price problems as raisins.

The documentation phase of the strategy is complete, and as with raisins, there are nearly 150 differences. "The United States definitely produces a much finer quality product," Payne said, "so we've targeted industries that are not quite so price-sensitive, such as the Austrian confectionery industry."

For more information on the European Food Technology Programs, contact Thomas Payne, California Raisin Advisory Board, P.O. Box 281525, San Francisco, CA 94128. Tel. (415) 340-8311. ■

Florida Sunshine Tree Blossoms in Foreign Markets

By Harry Rixman

The Florida Sunshine Tree is starring in television commercials in Tokyo and Paris, in "All American Breakfast" promotions in Taipei and in ads in women's magazines in Rome.

These efforts are all part of a wide-ranging advertising and promotion campaign for fresh Florida grapefruit launched in fiscal 1987 by the Florida Department of Citrus with support from USDA's Targeted Export Assistance (TEA) program.

Florida TEA Program Pays Off

The TEA program came at a good time for Florida grapefruit exporters. Expanded promotional efforts, combined with favorable exchange rates in key markets and this year's exceptionally high-quality fruit, contributed to record overseas sales.

This is good news because Florida, the world's largest producer of grapefruit, ships over two-fifths of the fresh harvest overseas.

The Florida Department of Citrus, a marketing organization funded by grower taxes on all state citrus that moves in commercial channels, used the TEA program to build on a longstanding foreign marketing effort.

TEA funds are earmarked to help U.S. producers finance advertising and promotional activities for agricultural products disadvantaged by unfair trade practices of competitors. Florida citrus producers were eligible because of a recent favorable finding on a Section 301 trade complaint filed against the European Community by the industry several years ago.

During the 1986-87 season, the Florida Citrus Department received $5.1 million in Commodity Credit Corporation certificates to develop a generic promotion campaign for Florida grapefruit.

The primary marketing thrust focused on Japan—the biggest market for Florida grapefruit—and Europe, but Hong Kong, Korea, Singapore and Taiwan also were included in the campaign.

Campaign Aims for Buyer Awareness

The key marketing objective in the Japanese market was to increase consumer awareness of Florida grapefruit. By doing this, Florida shippers hoped to boost sales from 6 million to 7 million cartons for the 1986/87 marketing year.

Media promotions to boost consumer purchases and sales promotions to stimulate more widespread retail distribution paved the way for record shipments, which reached more than 8 million cartons for the marketing year.

Television commercials produced and distributed by a Japanese advertising firm helped to raise consumer awareness in areas such as Kanto, Hokkaido, Kansai, Miyagi, Hiroshima and Fukuoka—cities well beyond the traditional Florida target markets in the largest metropolitan areas.

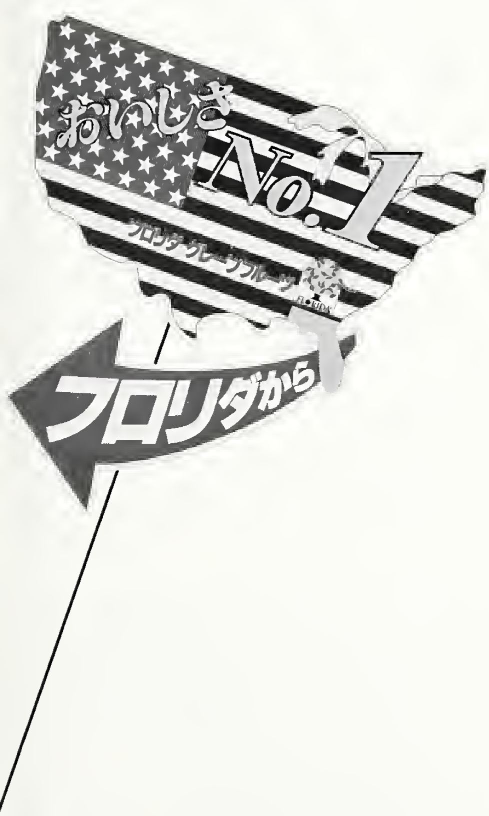
Trade merchandising incentives were used to encourage medium-size chain stores and independent retail outlets to display Florida grapefruit with Department of Citrus point-of-purchase materials and to feature Florida grapefruit in print ads. These efforts reached more than 10,000 stores between November 1986 and May 1987.

In-store demonstrations to support TV, newspaper and magazine advertising were especially important in introducing Florida grapefruit in new markets.

A Florida citrus fair at major Japanese hotels and restaurants such as the Hotel Okura, Hilton International hotels and Hyatt hotels featured Florida citrus and other U.S. food products for breakfast. Restaurants such as Denny's and Wendy's also featured Florida grapefruit promotions, as did employee cafeterias at Sony, IBM and Toyota.

Pink Grapefruit Favored in Europe

In Europe, the Florida campaign concentrated on a broad generic advertising and promotion program



targeted to raise consumer awareness of Florida pink grapefruit in France, Italy, the Netherlands, the United Kingdom and West Germany. These markets prefer pink or red grapefruit rather than the white fruit, which is sold almost exclusively in Japan.

The total European market buys about 5 million cartons of Florida grapefruit a year. The potential is there, over the next 10-15 years, to expand those sales significantly.

However, vigorous and innovative marketing is a must because the market is so competitive. Israel, for example, aggressively promotes its red grapefruit in Europe, and Israeli fruit sells for close to 30 percent less than Florida fruit in some markets.

Fresh grapefruit also comes from Cyprus, Cuba, Honduras and Mexico. Therefore, aggressive promotion is essential not only to generate consumer interest in the higher quality Florida product but also to encourage wider distribution to retail outlets.

European promotion materials stressed the high quality of Florida grapefruit, its healthful benefits and its juiciness. They also identified Florida as the largest producer of grapefruit worldwide. Convincing citrus shippers to mark their product as **Florida** fruit was a key element in the success of the overall strategy.

Television, radio and print ads, supermarket demonstrations, point-of-purchase materials and taste tests capitalized on the European consumer's preference for pink grapefruit. These efforts were backed up by promotions conducted by individual U.S. companies to develop, maintain and expand export markets for Florida pink and red grapefruit.

Preliminary consumer research on the effectiveness of the campaign indicates that awareness of Florida grapefruit in Europe has increased considerably over the last year or so.

The Florida Department of Citrus also has used TEA program support to branch out into other markets beyond Japan and Europe.

Moving Into the Korean Market

The Florida citrus industry became interested in Korea following the liberalization of fresh grapefruit imports in July 1985. Several Florida exporters have since developed business ties with Korean importers.

During the 1985-86 season, about 6,200 cartons of Florida grapefruit were shipped to Korea, where both trade and consumer acceptance was good. Imports increased considerably in the 1986/87 marketing year with expanded trade support to encourage the introduction of Florida grapefruit.

Korea is a particularly important market now because the 1988 World Olympics in Seoul offer great opportunities for food suppliers.

In addition, the Korean population of approximately 40 million people is enjoying an improved standard of living. Per capita GNP is increasing at an average annual rate close to 9 percent.

Upward trends in population growth, the economy, incomes and living standards bode well for marketing fresh Florida grapefruit in Korea. Even so, market analysis suggests that the general population finds grapefruit too expensive.

Therefore, promotional activities have been directed at large department stores, hotels and restaurants. Special breakfast theme promotions in hotels and restaurants have targeted foreign visitors and business people.

Singapore Offers Potential

Singapore, with 2 million consumers, is another potential market for Florida grapefruit. Department of Citrus surveys in recent years have found strong interest by wholesalers and chain stores.

As a result of this interest, links between Florida suppliers and Singaporean wholesalers and importers have been established.

Although trade and consumer acceptance of initial small shipments of grapefruit has been good, market development in Singapore will be difficult for a number of reasons.

Transportation costs make Florida grapefruit less price competitive than fruit from other growing and shipping areas. In addition, Singaporeans have been exposed to other types of grapefruit which are more tart, dry and generally less appealing than that from Florida. Competition from noncitrus fruits is another marketing problem.

TEA support enabled the Florida Department of Citrus to capitalize on the consumer and trade acceptance already established by the industry. A new advertising and promotional effort was launched to spread the word about the better tasting and more versatile grapefruit from Florida.

Point-of-sale materials, in-store demonstrations and retail and trade advertising were designed to stress the taste and healthful benefits of Florida grapefruit. These materials were backed up with educational seminars and video tapes covering basic nutrition information and recipes and meal plans using Florida grapefruit.

Florida Grapefruit Introduced in Taiwan

Florida grapefruit also has been making inroads in Taiwan, particularly in Taipei.

Although Taiwan is a grapefruit producer itself, the price of its domestic grapefruit is high and the quality poor. Florida shipments to Taiwan have increased sharply in the past two years.

As in other markets, the biggest obstacle seems to be lack of consumer awareness of Florida grapefruit. Therefore, heavy promotional activities have been directed at consumers.

Consumers have been encouraged to taste Florida grapefruit so that they can experience its sweet, juicy taste and nutritious benefits. Emphasis has been on convincing consumers that Florida grapefruit is unlike any other available worldwide.

Major hotels and restaurants have featured Florida grapefruit in "All American Breakfast" promotions. Retail stores have sponsored demonstrations and display contests to attract consumer attention.

Magazine and newspaper ads featured nutrition information, recipes and information on how to use grapefruit. Trade publication materials stressed the availability and high quality of Florida fruit.

The TEA program has given a tremendous boost to Florida's overseas grapefruit promotion activities. With the first year's campaign over, a comprehensive evaluation of how effective each approach was in achieving the overall goal of increasing Florida grapefruit exports is underway.

In April, USDA announced that the Florida Department of Citrus would receive an additional $6.5 million to continue its overseas promotion campaigns. ■

The author is director of advertising and promotion for fresh citrus exports for the Florida Department of Citrus, Lakeland, Fla. Tel. (813) 682-0171.

U.S. French Fries: Life in Japan's Fast-Food Lane

By Jonathan Gressel

Where fast food goes, so goes the french fry. U.S. fast food is booming in the Far East—especially in Japan. Following in its wake are retail sales of the U.S. french fry, a common side dish in fast-food restaurants.

The fast-food industry has served as a major vehicle for introducing potatoes as a side dish to overseas consumers. More importantly, it has established the superior reputation of french fries from U.S. potatoes.

Japanese Prefer U.S. Fries

Japan is the largest export market for U.S. frozen potatoes. In 1986, Japan took four-fifths of the 88,483 tons of frozen potatoes exported by the United States.

Popular U.S. fast-food franchises in Japan, such as McDonald's and Kentucky Fried Chicken, as well as the Japanese franchises Lotteria and Morinaga Love, use only U.S. frozen potatoes in their side dishes.

These restaurants have acquainted the Japanese consumer with U.S.-style french fries. U.S. french fries are made from the russet burbank potato, which produces a long, golden-colored french fry.

The Japanese choose these fries over those manufactured from other sources, which often may be shorter or dark brown in color, due to caramelization as a result of high sugar content.

Fast-Food Restaurants Stage Promotions

Fast-food restaurants are a logical place to promote U.S. potato products. They create a highly visible environment for the product, and they have a great potential for growth.

U.S. consumers purchase french fries at a fast-food restaurant 85 percent of the time, while Japanese consumers will purchase fries only 40 percent of the time. This leaves room to possibly double the size of the market.

Fast-food restaurants in Japan like to sell and promote french fries. They are inexpensive to serve and they carry a high markup which has increased with the value of the yen. Restaurants can offer specials or discounts at little or no expense.

In addition to their popularity in fast-food restaurants, french fries, especially home-style fries, are becoming more popular in family-style restaurants like Denny's and Japan's Skylark.

Developing a Retail Market

Once Far East consumers, particularly in Japan, became acquainted with french fries at restaurants and developed a preference for U.S. products, the market was ready for fries in the home.

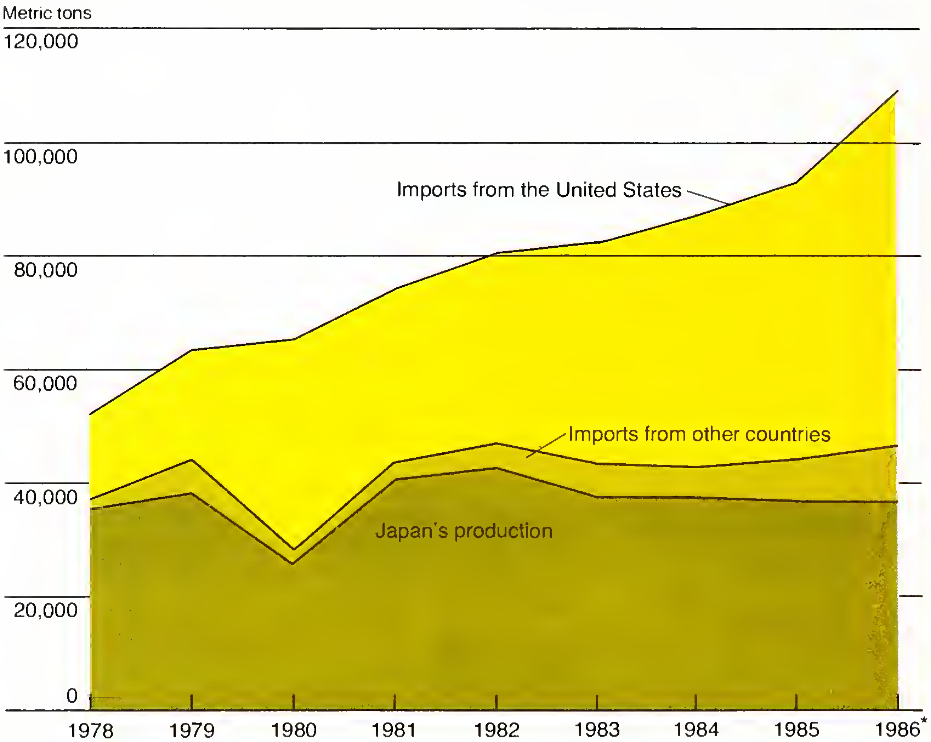
Leading U.S. frozen potato producers recognized this opportunity. But they also realized that the product would have to be adapted to suit this market.

For example, most Japanese consumers own toaster ovens but not deep fryers. So the product was pre-fried and adapted for cooking in the toaster oven.

In addition, Japanese consumers do not usually freeze food for later consumption. They prefer to buy food each day, making large packages of frozen potatoes inappropriate. Recognizing this, U.S. producers packaged frozen potatoes in small, 300-gram packages.

However, Japanese lifestyles are changing and more mothers work outside the home. Consumers are looking for quick, nutritious foods that are convenient to prepare. U.S. producers have moved to expand their line of packaging to include larger, 500-gram packages.

United States Captures Japan's Frozen Potato Market



*Japanese production estimated.

Freezer display and storage space in Japanese supermarkets is limited. This reduces the quantity and variety of frozen food products available. As consumer lifestyles and preferences change, Japanese supermarkets are expected to increase freezer space and therefore sell a wider variety of frozen potato products, such as hash brown patties and tator tots.

Although Japanese supermarkets are small, with limited promotional space, they have held promotions of a variety of frozen U.S. potato products. Ore-Ida, for example, has given away free bags of fries and other potato products in stores. They also have sponsored more traditional store demonstrations. One feature is an Ore-Ida "potato man" that talks to customers.

Potato Promotion Board at Work

The National Potato Promotion Board has been hard at work for the past 10 years in the Far East, particularly in Japan, where the market for frozen potatoes has tripled during that time. The Board has been involved primarily in promoting frozen potatoes to the food service industry at trade shows.

In the 1986/87 marketing year, the Board received $2 million from the Targeted Export Assistance Program (TEA), almost all of which was used in Japan.

This money enabled the Board to reach the retail consumer market—about one-sixth of the total market—for the first time. The Board's aim was to educate consumers that the tasty fries they have been consuming in fast-food restaurants are from the United States and are available at their local supermarket.

The Board ran a series of print and television advertisements in Japan promoting the quality of the U.S. french fry. Partly as a result of the ads, exports of U.S. frozen french fries to Japan increased by 18,000 tons in 1986.

In fiscal 1987, the Board will receive a total of $2.4 million in TEA money, $1.76 million of which is targeted at Japan. In June, the Board kicked off a media campaign in Japan. The ads featured an American girl and a Japanese girl enjoying french fries. The ads also addressed the wholesomeness of U.S. fries.

As part of its commitment to the Japanese market, last year, the Board made a major step toward targeting the Japanese consumer. It formed the Japan Potato Committee, made up of a Japanese representative of the Board, senior marketing managers from McDonald's and Kentucky Fried Chicken, and representatives of Ore-Ida and Lamb-Weston in Japan.

The Committee provides wide-ranging marketing expertise and in-depth knowledge of the Japanese fast-food and retail market. The Committee advises the Board on marketing strategy, advertising and other promotional activities. ■

The author is with the Horticultural and Tropical Products Division, FAS. Tel. (202) 447-6086.

U.S. Cotton Recaptures Export Markets

By John J. Reddington

One of the more dramatic success stories of the U.S. export picture in recent months is that of U.S. cotton. After plunging to the lowest level in 40 years in 1985/86, U.S. cotton shipments are rebounding and regaining dominance in export markets as overseas sales benefit from a market-oriented farm law and an aggressive promotion program.

Traditionally the world's largest exporter of cotton, the United States accounted for as much as 31 percent of the market during the early 1980s. But as world production increased in China, Pakistan, India and Australia, cotton stocks multiplied and prices plunged.

Back From the Bottom

U.S. cotton, however, was uncompetitively priced, at times as much as 20 cents per pound above world prices. Many foreign buyers switched to non-U.S. cotton. Pakistan, China and Australia made substantial gains at U.S. expense. As a result, U.S. cotton shipments in 1985/86 plunged to just under 2 million bales, less than a fourth of U.S. cotton exports at their peak level of 9.2 million in 1979.

To remedy the situation and prevent a further slide in U.S. cotton shipments, the U.S. government and the cotton industry developed a cotton program in the 1985 farm bill that would increase total consumption of U.S. cotton.

The 1985 Food Security Act introduced greater market orientation by providing lower loan rates and marketing certificates. This enabled U.S. cotton to become competitive during the 1986/87 cotton season.

Government-Industry Efforts

Coupled with a more market-oriented cotton program was an aggressive cotton promotion program. The Foreign Agricultural Service and the Cotton Council International (CCI) expanded their market development effort to ensure U.S. cotton's place in the world market.

Cotton Council International will manage export promotion programs valued at $16 million this year. They will cooperate with Cotton Incorporated to develop a new and expanded consumer promotion campaign designed to encourage foreign mills to buy more U.S. cotton and to help mills develop their own textile markets at home.

The bulk of the promotional campaign will center on Japan, Korea, Italy, West Germany, France and the United Kingdom. One of CCI's marketing efforts took place in May when it sponsored a U.S. cotton seminar in Monaco.

More than 150 representatives of Europe's largest mills attended a four-day program of discussions on U.S. cotton. U.S. cotton exporters also were invited to attend the seminar for meetings with potential customers.

CCI will sponsor 12 trade missions to Africa, Asia and Europe to explore new market opportunities. Teams from the Far East, Europe and Africa will visit the United States this year.

U.S. Cotton Recaptures Export Markets

As a result of this two-pronged, policy and promotion effort, U.S. cotton has recaptured most of its export markets, and overseas sales should continue strong with diligent efforts. U.S. cotton exports are expected to reach 6.7 million bales this year.

In addition to increased interest from overseas markets, domestic use of U.S. cotton also is strengthening. This, coupled with limited productivity gains, will quickly move the U.S. cotton market toward a supply and demand balance in the next few years.

Global trade for cotton is expected to make its biggest gain since the 1979/80 record, and total a record 23.5 million bales, up 3.2 million bales from 1985/86. The United States is expected to take 29 percent of the total, followed by the Soviet Union, Pakistan and China, each with about 12 percent.

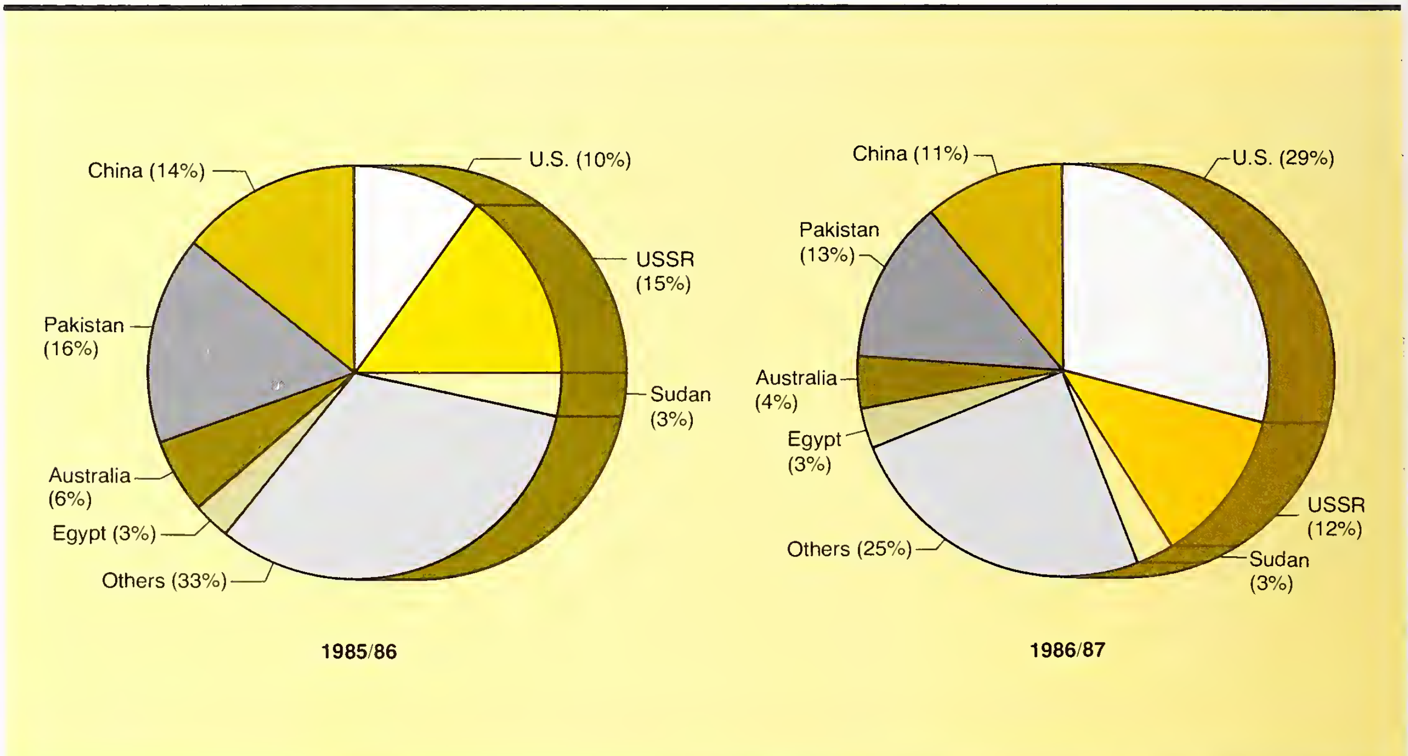
Where the Markets Are—Country Profiles

Asia

Japan is the largest single market for U.S. cotton in the world. Of the 3.1 million bales Japan is expected to import in 1986/87, more than half will come from the United States. This will approach the 1983-85 levels and is triple last year's imports.

South Korea is the No. 2 market for U.S. cotton, expecting to import three-fourths (or 1.42 million bales), of a total import demand of nearly 1.8 million bales, from the United States. This would be double the U.S. import level of last year.

U.S. Cotton Recaptures Export Markets



Taiwan, which abandoned the U.S. market last year, is expected to buy 900,000 bales of U.S. cotton—or 60 percent of its imports—this year.

The Philippines has purchased nearly all of its estimated 147,000-bale import demand from the United States. Increased projected sales to Indonesia, Thailand, Bangladesh, Malaysia and Hong Kong have increased the U.S. market share in Asia to nearly half, with U.S. sales totaling about 5 million bales.

European Community
Competitive U.S. prices have enabled the United States to regain its traditional market share in the European Community (EC). Export sales to the EC during the first seven months of the cotton marketing year totaled nearly 600,000 bales. Italy, West Germany and France will continue to be the major markets in the EC for U.S. cotton.

Non-EC Markets
Switzerland and Turkey are the two major markets in this area. The two countries together have already purchased 135,600 bales through early May. Turkey is a new cash market this year, not requiring any U.S. export credits for assistance.

Eastern Europe
Only Yugoslavia is expected to buy U.S. cotton this year. To date it has purchased 9,500 bales, but sales are expected to increase when Yugoslavia uses additional lines of credit under GMS-102.

Western Hemisphere
Canada, traditionally an important U.S. cotton market, has made arrangements to purchase the bulk of its needs from China. Sales through early May totaled 47,000 bales.

Both Brazil and Mexico have been traditional competitors of the United States in cotton markets. Through early May, Brazil purchased 32,500 bales and Mexico, over 50,000 bales. Cotton consumption in these two markets has

grown while domestic production has declined. Other Latin American countries, such as El Salvador, Costa Rica, Jamaica, Guatemala and Colombia, are expected to purchase about 82,000 bales.

Africa and Middle East
Egypt had purchased 65,000 bales of U.S. cotton as of early May, and is expected to purchase more if it can get additional lines of credit. Ghana has purchased about 18,000 bales under PL-480 and another 22,000 bales for cash.

Nigeria has come back into the market for U.S. cotton primarily because its countertrade arrangement with Brazil was canceled. Nigeria is expected to take about 12 percent of its market needs from the United States this year.

Zaire also is in the market for U.S. cotton this year. Morocco, Tunisia, Somalia, South Africa and a few other African countries should make up the rest of the 32,000 bales to this region.

Long-Term Look—More Consumption, Production

Longer term global cotton prospects are for further increases in production and consumption. World cotton area is expected to increase in 1987/88 as a result of strong cotton prices. If yields continue to rise at the 3-percent average annual rate established during 1977-86, world production could total 80-90 million bales by 1990. China will continue to be the world's largest producer.

World consumption will grow to 80-85 million bales by 1990 if cotton prices remain competitive with manmade fibers. If so, world stocks will remain excessive and prices will not likely return to the higher levels of the early 1980s.

U.S. cotton production will be influenced by the 1985 Food Security Act until 1991. Acreage reduction programs likely will continue to be needed to help balance supply and demand and maintain stocks at the desired 4-million-bale level.

Intense competition from cotton textile imports makes it unlikely that U.S. cotton mill consumption will rise much above the current 7 million bales. As a result, it is extremely important that the United States remain price competitive in order to maintain or increase U.S. exports and to maintain U.S. cotton consumption at home.

Continuation of the U.S. cotton program over the next three years is expected to generate consistent offtake levels of between 13 and 14 million bales, while falling loan rates and target prices would encourage cotton producers to emphasize more efficient land use and management. ■

The author is deputy director of the Tobacco, Cotton and Seeds Division, FAS. Tel. (202) 382-9524.

Top EC Cotton Producers Remain U.S. Customers

By W. Quintin Gray

Spain and Greece are likely to remain good markets for U.S. cotton over the next few years despite the fact that European Community (EC) cotton subsidy payments have resulted in steady increases in Greek and Spanish cotton production since these two countries joined the Community.

In fact, if the United States can offer cotton at competitive prices, the short-term export prospects look promising—especially for Greece which buys U.S. cotton to improve the quality of its yarn.

Greece Set EC Cotton Policy Rules

Greece's accession into the EC in 1981 was relatively easy for the cotton sector, which accounts for nearly 6 percent of the cultivated land in Greece.

Since Greece was the only cotton-producing country in the Community at that time, the Greeks literally wrote the rules for EC cotton policy. As a result, the structure of the Greek cotton industry has not changed significantly since then.

Although there have been no major structural changes, higher EC cotton subsidy payments compared with traditional Greek subsidies quickly spurred production.

Greece has a 1986 crop EC production target of 567,000 tons of seed cotton (833,350 bales lint) eligible for subsidy. The current marketing year subsidy payment for seed cotton is approximately 78 cents per pound; the payment for lint cotton is $1.09 per pound, or nearly $523 per bale.

As a result of these relatively high payments, Greek cotton production has risen from 552,000 bales during 1981/82 to an estimated 850,000 bales in 1986/87.

Greece Continues To Import Cotton

Even with increased production, Greece continue to import cotton from the United States, Pakistan and Israel. Total cotton import needs should reach about 150,000 bales this year, down from 160,000 bales in 1985/86.

U.S. cotton exports to Greece, which averaged 82,000 bales annually during 1980-1984, fell to 12,000 bales during 1985/86. The decline in exports to Greece as well as to other U.S. cotton markets was due largely to uncompetitive prices and greater world cotton production. For the current crop year, U.S. export commitments to Greece are 37,170 bales.

Greek textile firms are especially interested in purchasing California and Pima cotton to improve the quality of their yarn.

Greece exports 50 percent of its yarn—primarily to West Germany, France and Italy. A small amount of cotton is exported to the Soviet Union, Czechoslovakia and Yugoslavia.

Spanish Cotton Production Climbs

Since Spain joined the EC in January 1986, Spanish cotton farmers have been encouraged to diversify with crops such as sunflowerseed, corn and sugar beets.

However, as the result of high subsidy payments, cotton farmers are producing more cotton than before. Although Spain has a 1986 crop EC production target of 185,000 tons of seed cotton (271,900 bales lint) eligible for subsidy, the production estimate for 1986/87 is 320,000 bales.

Production is expected to increase even further in the coming years. In fact, Spain could approach self-sufficiency in cotton by 1989, which could mark a decline in U.S. cotton exports to the Spanish market.

Spanish cotton officials also expect to see an improvement in the quality of their cotton thanks to research funded under Agri-Med—a program promoted by the EC to enhance crop quality in Mediterranean countries.

Textile Industry May Signal Decline In Imports

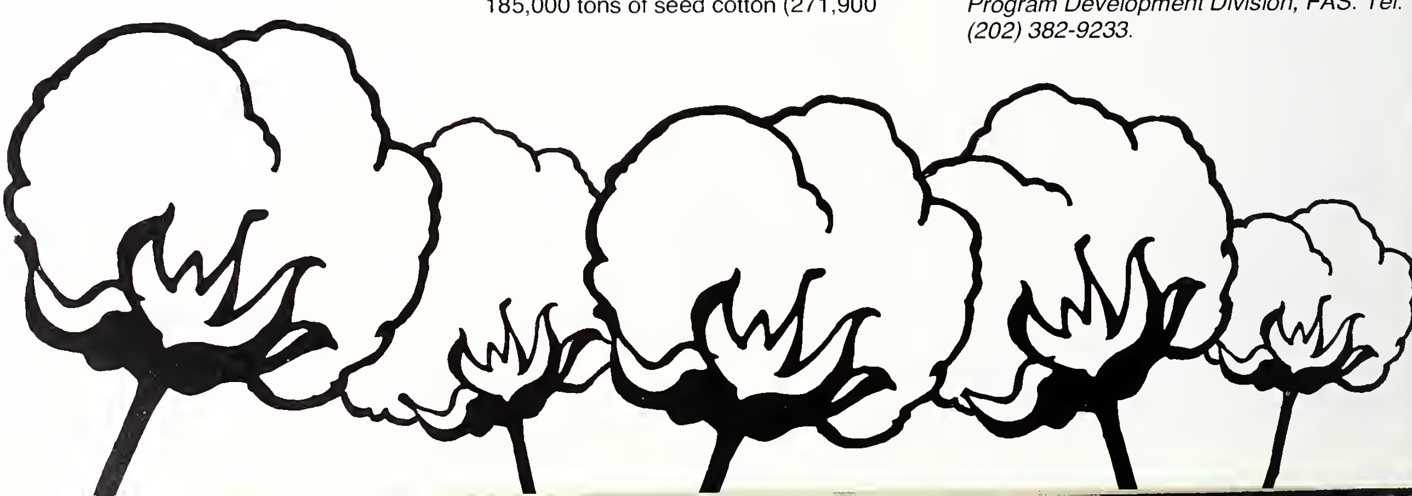
U.S. cotton exports to Spain averaged 84,000 bales during 1980-1984, but fell to 29,000 bales during the 1985/86 crop year. However, export commitments to Spain for the 1986/87 crop year are 67,500 bales.

Spain's textile industry, which uses cotton from the United States, Paraguay, Argentina and India, will influence the long-term prospects for U.S. cotton exports to that market.

As textile output declines in the face of Asian competition, less cotton will be required from foreign suppliers, including the United States.

However, as with Greece, one of the most important factors currently affecting the U.S. ability to export cotton to Spain is price. ■

The author, formerly with the Tobacco, Cotton and Seeds Division, is with the Program Development Division, FAS. Tel. (202) 382-9233.



Fact File

A Glossary of Exporting Terms

Ad valorem—According to value.

Advisory capacity—A term indicating that a shipper's agent or representative is not empowered to make definitive decisions or adjustments without approval of the group or individual represented.

Agricultural attache, counselor and trade officer—The agricultural expert on the diplomatic staff of his or her country's embassy, consulate or trade office.

Agricultural trade office—An office located in many major trading countries that serves as a home base for U.S. exporters, providing them with current information on potential customers and promotional activities for agricultural products.

Balance of trade—The difference between a country's total imports and exports; if exports exceed imports, a favorable balance of trade exists; if not, a trade deficit is said to exist.

Barter—Trade in which merchandise is exchanged directly for other merchandise without use of money. Barter is an important means of trade with countries using currency that is not readily convertible.

Bonded warehouse—A warehouse authorized by **customs** authorities for storage of goods on which payment of **duties** is deferred until the goods are removed.

Carnet—A customs document permitting the holder to carry or send merchandise temporarily into certain countries (for display, demonstration or similar purposes) without paying duties or posting bonds.

Certificate of inspection—A document certifying that merchandise (such as perishable goods) was in good condition immediately prior to its shipment.

Certificate of manufacture—A statement (often notarized) in which a producer of goods certifies that manufacture has been completed and that the goods are now at the disposal of the buyer.

Certificate of origin—A document, required by certain foreign countries for tariff purposes, certifying the country of origin of specified goods.

Clean draft—A **draft** to which no documents have been attached.

Commercial attache—The commerce expert on the diplomatic staff of his or her country's embassy or large consulate.

Commercial invoice—An itemized list of goods shipped, usually included among an exporter's **collection papers.**

Consignment—Delivery of merchandise from an exporter (the consignor) to an agent (the consignee) under agreement that the agent sell the merchandise for the account of the exporter. The consignor retains title to the goods until the consignee has sold them. The consignee sells the goods for commission and remits the net proceeds to the consignor.

Consular declaration—A formal statement, made to the consul of a foreign country, describing goods to be shipped.

Consular invoice—A document, required by some foreign countries, describing a shipment of goods and showing information such as the consignor, consignee and value of the shipment. Certified by a consular official of the foreign country, it is used by the country's customs officials to verify the value, quantity and nature of the shipment.

Countertrade—The sale of goods or services that are paid for in whole or in part by the transfer of goods or services from a foreign country.

Credit risk insurance—Insurance designed to cover risks of nonpayment for delivered goods.

Customs—The authorities designated to collect duties levied by a country on imports and exports. The term also applies to the procedures involved in such collection.

Customhouse broker—An individual or firm licensed to enter and clear goods through **customs.**

Destination control statement—Any of various statements that the U.S. government requires to be displayed on export shipments and that specify the destinations for which export of the shipment has been authorized.

Distributor—A foreign agent who sells for a supplier directly and maintains an inventory of the supplier's products.

Drawback—Articles manufactured or produced in the United States with the use of imported components or raw materials and later exported are entitled to a refund of up to 99 percent of the duty charged on the imported components. The refund of duty is known as a "drawback."

Dumping—Exporting/importing merchandise into a country below the costs incurred in production and shipment.

Duty—A tax imposed on imports by the customs authority of a country. Duties are generally based on the value of the goods (ad valorem duties), some other factor such as weight or quality (specific duties) or a combination of value and other factors (compound duties).

Ex—"From." When used in pricing terms such as "Ex Factory" or "Ex Dock," it signifies that the price quoted applies only at the point of origin (in the two examples, at the seller's factory or a dock at the import point). In practice, this kind of quotation indicates that the seller agrees to place the goods at the disposal of the buyer at the specified place within a fixed period of time.

Export Broker—An individual or firm that brings together buyers and sellers for a fee but does not take part in actual sales transactions.

Export commission house—An organization which, for a commission, acts as a purchasing agent for a foreign buyer.

Export license—A government document that permits the "licensee" to engage in the export of designated goods to certain destinations.

Export management company—A private firm that serves as the export department for several manufacturers, soliciting and transacting export business on behalf of its clients in return for a commission, salary or retainer plus commission.

Export trading company—A firm similar or identical to an export management company.

Foreign sales agent—An individual or firm that serves as the foreign representative of a domestic supplier and seeks sales abroad for the supplier.

Free port—An area such as a port city into which merchandise may legally be moved without payment of duties.

Free trade zone—A port designated by the government of a country of duty-free entry of any non-prohibited goods. Merchandise may be stored, displayed, used for manufacturing, etc., within the zone and re-exported without duties being paid. Duties are imposed on the merchandise (or items manufactured from the merchandise) only when the goods pass from the zone into an area of the country subject to the Customs Authority.

Freight forwarder—An independent business which handles export shipments for compensation. (A freight forwarder is among the best sources of information and assistance on U.S. export regulations and documentation, shipping methods and foreign import regulations.)

GATT (General Agreement on Tariffs and Trade)—A multilateral treaty intended to help reduce trade barriers between the signatory countries and to promote trade through trade concessions.

General export license—Any of various export licenses covering export commodities for which **validated export licenses** are not required. No formal application or written authorization is needed to ship exports under a general export license.

Gross weight—The full weight of a shipment, including goods and packaging.

Import license—A document required and issued by some national governments authorizing the importation of goods into their individual countries.

Licensing—A business arrangement in which the manufacturer of a product (or a firm with proprietary rights over certain technology, trademarks, etc.) grants permission to some other group or individual to manufacture that product (or make use of that proprietary material) in return for specified royalties or other payment.

Open account—A trade arrangement in which goods are shipped to a foreign buyer without guarantee of payment. The obvious risk this method poses to the supplier makes it essential that the buyer's integrity be unquestionable.

Parcel post receipt—The postal authorities' signed acknowledgment of delivery to receiver of a shipment made by parcel post.

PEFCO (Private Export Funding Corporation)—lends to foreign buyers to finance exports from the United States.

Phytosanitary Inspection Certificate—A certificate, issued by the U.S. Department of Agriculture to satisfy import regulations for foreign countries, indicating that a U.S. shipment has been inspected and is free from harmful pests and plant diseases.

Pro forma invoice—An invoice provided by a supplier prior to the shipment of merchandise, informing the buyer of the kinds and quantities of goods to be sent, their value and important specifications (weight, size, etc.).

Purchasing agent—An agent who purchases goods in his or her own country on behalf of foreign importers such as government agencies and large private concerns.

Quota—The quantity of goods of a specific kind that a country permits to be imported without restriction or imposition of additional **duties.**

Quotation—An offer to sell goods at a stated price and under specified conditions.

Schedule B—refers to "Schedule B. Statistical Classification of Domestic and Foreign Commodities Exported for the United States." All commodities exported from the United States must be assigned a seven-digit Schedule B number.

Shipper's export declaration—A form required by the U.S. Treasury Department for all shipments and prepared by a shipper, indicating the value, weight, destination and other basic information about an export shipment.

Standard Industrial Classification (SIC)—A standard numerical code system used by the U.S. Government to classify products and services.

Standard International Trade Classification (SITC)—A standard numerical code system developed by the United Nations to classify commodities used in international trade.

Transaction statement—A document that delineates the terms and conditions agreed upon between the importer and exporter.

Validated export license—A required document issued by the U.S. government authorizing the export of specific commodities. This license is for a specific transaction or time period in which the exporting is to take place.

Warehouse receipt—A receipt issued by a warehouse listing goods received for storage.

Without reserve—A term indicating that a shipper's agent or representative is empowered to make definitive decisions and adjustments abroad without approval of the group or individual represented.

This glossary is adapted and reprinted with permission from *A Basic Guide to Exporting,* published by the U.S. Department of Commerce.

U.S. Tallow Exports To Caribbean Basin Rising

By David Young

Although U.S. tallow exports to many world markets have declined since the early 1980s, U.S. exports to the Caribbean Basin have increased fairly steadily.

The Caribbean Basin has become a bright spot for U.S. tallow exporters because soap consumption there is rising and tallow production is limited. Lower transportation costs for U.S. exporters also are giving U.S. shipments a boost. As a result, U.S. tallow exports are likely to rise again this year.

Colombia, Venezuela and the Dominican Republic are the top three U.S. tallow markets in the Caribbean Basin, buying nearly 80 percent of U.S. exports to the region last year. Almost all of the exports are inedible tallow, used primarily for soapmaking.

Colombia and the Dominican Republic also import small quantities of other animal fats and greases, primarily choice white grease for use in animal feeds.

A close-up look at these top three tallow markets in the Caribbean region follows:

Colombia Is No. 1 Tallow Market

Colombia is the largest U.S. tallow market in the Caribbean Basin and the second largest in all of Latin America after Mexico. U.S. tallow exports to Colombia rose from an average of 43,500 tons in 1981-82 to 54,200 tons in 1985, but fell slightly to 50,900 tons last year. Most of that was inedible tallow for soap manufacture.

U.S. exports of tallow to Colombia in 1987 may remain near last year's level. Although domestic tallow production is expected to continue to fall, constraints on foreign exchange caused by lower coffee prices—a primary export—may limit the government's allocation of funds for tallow imports.

Colombia's annual consumption of natural ingredients for soap production is estimated at about 90,000 tons. Over half of that is U.S. inedible tallow. Locally produced tallow and other ingredients, such as coconut oil, perfumes and coloring agents make up the balance.

Low Production Fuels Imports

U.S. tallow exports benefit from Colombia's limited production. Unlike in the United States, Colombia's cattle yield little tallow because they are grass-fed rather than grain-fed. From an estimated cattle slaughter of about 3.5 million head, less than 30,000 tons of tallow are produced.

In addition, reduced slaughter resulting from smaller cattle numbers because of political unrest in the countryside has taken its toll on domestic tallow production.

Tallow imports are on a cash basis and carry a 25-percent ad valorem duty plus 18 percent in other taxes.

Bar Laundry Soal Is Top Choice

Colombia imports mostly U.S. bleachable fancy tallow for laundry soap, with some fancy and extra fancy tallow imported for toilet soap.

Bar laundry soap rather than detergent is still the dominant choice for washing clothes and no change is seen in this trend. Colombia's soft water, along with

U.S. Tallow Exports to the Caribbean Basin Log Gains[1]

(1,000 metric tons)

Country	1981-82 Avg.	1983	1984	1985	1986	Jan.-Feb. 1986	Jan.-Feb. 1987
Colombia	43.5	59.2	52.9	54.2	50.9	8.0	5.7
Venezuela	19.0	22.3	27.3	28.0	36.3	5.6	6.2
Dominican Rep.	18.8	17.5	14.5	17.1	20.4	4.1	3.9
Haiti	14.8	16.8	17.7	15.4	13.4	1.9	2.3
Jamaica	7.2	5.7	6.8	8.7	9.5	.8	2.5
Others[2]	6.0	4.8	5.5	8.6	6.5	1.9	1.8
Total	109.3	126.3	124.7	132.0	137.0	22.3	22.4

[1]Includes inedible and edible tallow. [2]Includes Bahamas, Leeward-Windward Is., Trinidad and Tobago, Netherlands Antilles, French West Indies.

the traditional custom of washing clothes by hand and the general availability of maids, has kept the demand for bar laundry soap high.

In addition, the number of washing machines is growing slowly because of their cost, roughly 100,000 pesos or $450 apiece.

Venezuela's Imports Up Sharply

Venezuela is the fastest growing market for U.S. tallow in the region. In recent years, U.S. tallow exports to Venezuela have nearly doubled from an average 19,000 tons in 1981-82 to 36,300 tons in 1986. U.S. exports of inedible tallow to this market grew 30 percent in volume in 1986 alone.

Despite declining petroleum export revenues in 1986, the country's import demand for tallow continues to grow because of steadily increasing use of bar laundry soap and almost nonexistent domestic production of tallow.

Venezuela manufactures an estimated 40,000 tons of bar laundry soap and 15,000 tons of toilet soap annually. Increased consumer demand for bar laundry soap stems mainly from the growth in population and consumer income.

Toilet Soap Losing Market Share

Squeezed by the country's economic slowdown and higher prices, toilet soap is losing ground in the market to bar laundry soap. Consumers are substituting laundry soap for higher priced toilet soap as an economy measure. The stagnating or falling level of toilet soap demand is likely to restrain imports of higher quality tallow such as extra fancy.

Venezuela's tallow output, which accounts for only 10-20 percent of domestic needs, has been declining as a result of the smaller cattle slaughter. Higher beef prices and weaker economic growth are limiting demand for beef, thus, reducing slaughter rates.

Domestic tallow prices in Venezuela are more than twice those of imported tallow and the quality is poor, which encourages imports.

After tallow, coconut oil is the most important ingredient used in toilet soap production.

Preferential Exchange Rate Helps Boost U.S. Exports

Tallow imported into Venezuela is subsidized by a preferential foreign exchange rate of only 14.5 bolivares to the U.S. dollar, which is more than one-third over the current market rate. This preferential exchange rate has helped U.S. tallow exports to Venezuela.

The official ad valorem import tariff on tallow is 100 percent; however, importers who also purchase domestic tallow receive an exemption of 90 percent from the official import duty.

Dominican Republic's Imports Rising Moderately

U.S. exports of tallow to the Dominican Republic increased from an average of 18,800 tons in 1981-82 to 20,400 tons in 1986, a gain of 19 percent over 1985.

In the Dominican Republic, at least 90 percent of all soap sales are laundry soap, with toilet soap sales comprising less than 10 percent. Consumption of detergents is rising slowly in line with the production and sale of washing machines. Tallow comprises about 70 percent of the typical soap mixture, with coconut oil accounting for 10 to 20 percent.

The government does not control the retail prices of soap. This has encouraged producers to step up production as soap prices rise with demand. Dominican soap demand rose about 17 percent last year, mainly because of a sharp increase in the money supply in the second half of the year.

Soap demand this year is projected to grow only 7 percent as consumer income is predicted to increase only moderately. Tallow imports from the United States are expected to rise accordingly. ■

The author is with the Dairy, Livestock and Poultry Division, FAS. Tel. (202) 475-4472. This article is based on his recent trip to the area.

Country Briefs

Algeria

Market Opening Up for U.S. Livestock Technology

With the slump in oil revenues, Algeria's per capita food consumption is expected to decrease. As the country enters a period of austerity, the government has begun a media campaign to encourage the population to restrict their consumption and avoid waste. The Algerian market thus has become a tighter and more challenging market.

One area where the United States has a good opportunity is in the sale of technology for the dairy, livestock and poultry sectors. The Algerian government plans to develop many technical programs within the next 10 years. These programs include sheep management, heifer and ewe fertility, artificial insemination for dairy, livestock and poultry, and embryo transplants.

Although the Algerians still tend to view Europe as their principal supplier of foodstuffs, they definitely look upon the United States as the best provider of technology.—*John H. Wilson, Agricultural Trade Officer, Algiers.*

China

Fondness for Ready-To-Eat Foods To Spur Wheat Needs

China is expected to have a growing need for wheat, based on projections of increased production and consumption of noodles, bread, cookies and cakes. Sales of noodles, bread, steamed buns, cookies and deep-fried twisted dough sticks in China's urban grain stores totaled 4.3 million metric tons in 1985, up 18 percent from 1984. This translates into an estimated 10 percent of total urban grain product consumption.

Plans call for the expansion of instant noodle production in China from 50,000 tons in 1985 to 400,000 tons in 1990. The State Economic Commission forecasts that ready-to-eat foods will make up 30 percent of the Chinese urban diet and 20 percent of the rural diet by the year 2000.

China's main philosophy in wheat purchases is to obtain the lowest price while at the same time maintaining a diversity of suppliers.—*David M. Schoonover, Agricultural Counselor, Beijing.*

Hong Kong

U.S. Produce Rivals China's In Hong Kong Market

China's competitive edge as the major supplier of vegetables to the Hong Kong market apparently is being eroded by better packaged and fresher vegetables from the United States and other suppliers. China's share in the Hong Kong vegetable market has slipped from 61 percent in 1982 to 58 percent in 1985—with a further decline expected for 1986. Meanwhile, the U.S. share rose from 34 percent in 1983 to 36 percent in 1985, while that of Taiwan rose from 10 percent in 1982 to about 14 percent in 1985.

Hong Kong is a competitive market for fresh fruit and vegetables. China has always been the largest supplier, followed by the United States and Japan. More recently, Australia, New Zealand, Taiwan and Brazil have been making a greater effort to capture a larger share of this market.—*Michael L. Humphrey, Agricultural Officer, Hong Kong.*

Japan

Durum Imports Swell as Japanese Pasta Makers Vie With Italians

Japan's durum wheat market is showing strong growth as pasta manufacturers there are moving to make pasta products from 100-percent durum wheat semolina in order to compete with imported Italian pasta. If this occurs, Japan will eventually need about 170,000-200,000 tons of durum each year. In 1980, Japan's durum wheat imports totaled about 57,000 tons. Its durum imports from the United States last year amounted to about 80,000 tons.

The United States captured most of the Japanese durum import market in 1986 because of the poor Canadian crop in 1985. For the five years prior to that, Canada had been the leading supplier. However, to maintain a dominant position in the Japanese market, U.S. exporters will need to remain competitive in both price and quality with Canada.—*Bryant H. Wadsworth, Agricultural Counselor, Tokyo.*

Malaysia

Shopper Sophistication Forces Changes in Food Retailing

Food shopping in Malaysia is a much easier chore than it was only a generation ago, thanks to the rapid development of the supermarket industry in the country during the past 10 years. Growth has been particularly pronounced during the last few years, with supermarkets and convenience stores appearing in virtually every housing estate and shopping center.

The popularity and success of supermarkets is largely due to hefty increases in disposable incomes during the past decade and the changing nature of Malaysian households, where both spouses often work outside the home. Malaysian shoppers are relatively affluent by Asian standards and they have considerable exposure to Western habits due to television and to extensive travel and schooling in the West. These modern, sophisticated Malaysian consumers are willing to try new items, they are health-conscious, they want convenience in their foods and they appear willing to pay for these items. They also want the convenience, cleanliness and air-conditioned shopping environment offered by supermarkets, as opposed to the poor sanitary conditions of the traditional wet markets and family run mini-marts.

Newest on the Malaysian shopping scene are 24-hour convenience stores. This concept of shopping has been accepted readily by Malaysian consumers, in large part because these stores typically are located in strategic sites in shopping complexes and residential areas.

The growing desire for clean, healthy food by Malaysian consumers also is attested to by the implementation of new food regulations under the Food Act of 1983. Among the new requirements are date marking for certain foods (mainly milk products, baby foods, sauces, bottled drinks, meat products in non-hermetically sealed containers and bread), labeling in Bahasa Malaysia for locally processed foods, although imported items can be in Bahasa Malaysia or in English, warranties for certain food items, and certain prohibitions on the use of various additives, preservatives and colorings.—*Frank Tarrant, Agricultural Attache, Kuala Lumpur.*

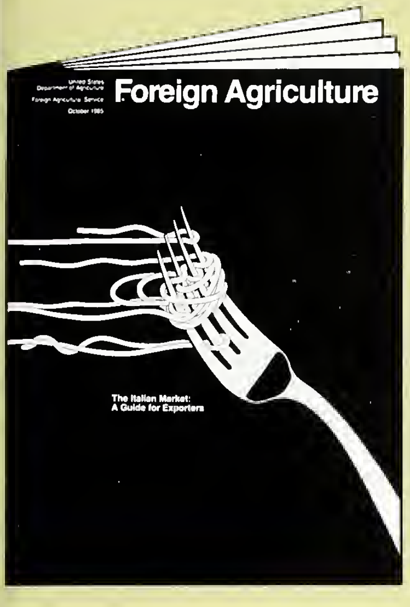
Sweden

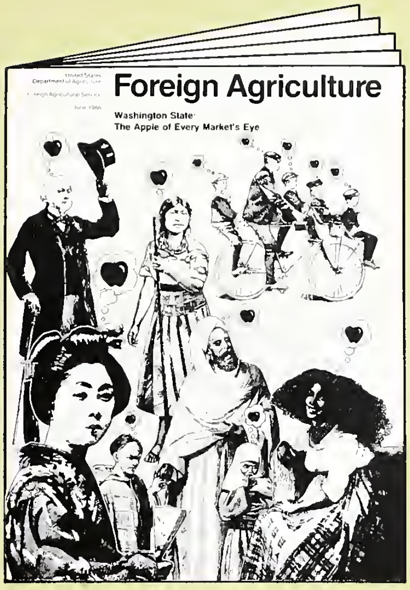
Red Grapefruits Gain Favor To Possible Benefit of U.S. Sales

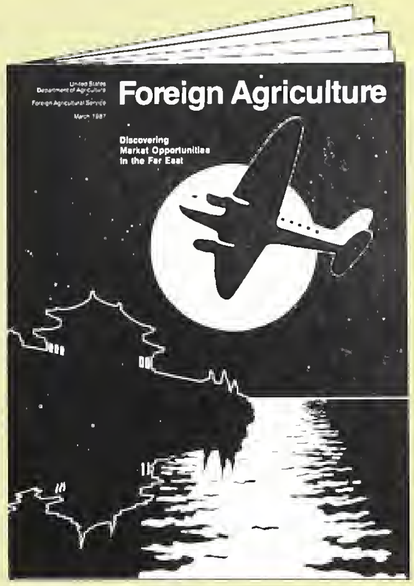
Sweden's demand for citrus fruit is strong, and the prospects are good for further growth in 1986/87. In general, Sweden's interest in physical fitness has encouraged larger fruit consumption at breakfast. Grapefruit consumption was up 20 percent in 1986—with most of the gain in red grapefruit. This marked an important shift in consumer preferences, as Swedish consumers have traditionally favored white varieties. Traders expect continued increases in demand in 1986/87, which should favor U.S. exports. The United States is the No. 2 supplier of grapefruit to Sweden, after Israel, and now has a 21-percent share of the Swedish market.

Orange juice consumption in 1986 was up about 20 percent compared with 1985, whereas consumption of fruit nectars declined slightly. Nectars have been on the market for about four years and in this period they have captured a 42-percent share of the juice market. The share slipped somewhat in 1986.

Imports of orange juice form the United States are small as Swedish reconstituters use the Brazilian product because of the lower cost. All imports of U.S. juice are in containers for the retail and institutional market.—*Shackford Pitcher, Agricultural Attache, Stockholm.*







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